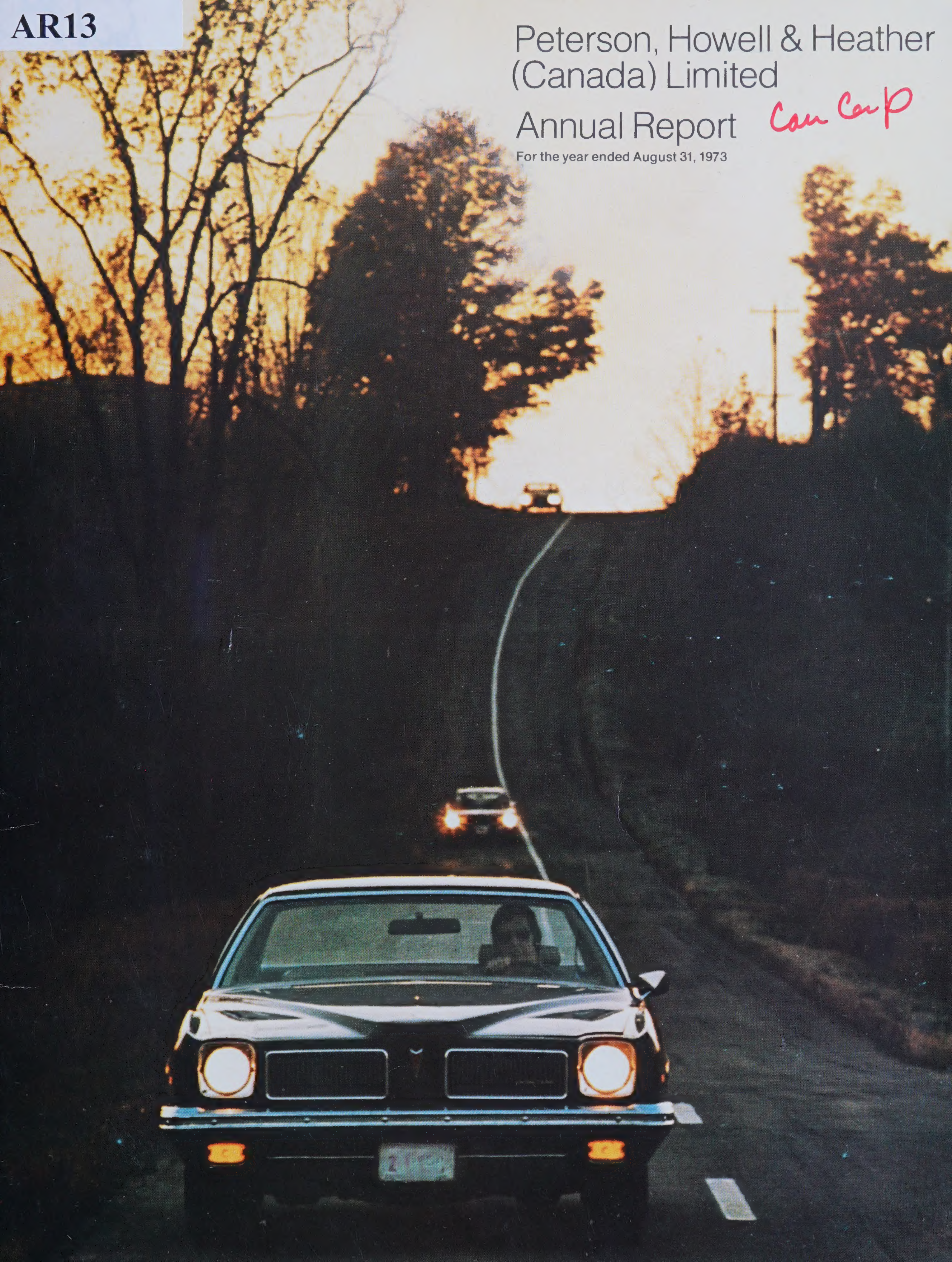
Peterson, Howell & Heather (Canada) Limited

Annual Report

Can Corp

For the year ended August 31, 1973



Financial Highlights

For the year ended August 31, 1973

	1973	1972
Net investment in leased vehicles (year-end)	**$28,323,000**	$24,833,000
Vehicle rentals	**13,111,000**	11,254,000
Net income from Canadian operations	**430,000**	395,000
Increase over previous year	**8.9%**	29.5%
Net income after allowing for loss of associated companies	**399,000**	395,000
Earnings per share	**60c**	60c
Dividends paid	**134,000**	126,000
Per share	**20c**	19c
Shares outstanding (year-end)	**668,824**	668,824
Average for the year	**668,824**	658,948

Directors

William J. Bennett
Montreal, Que.

John N. Cole
Montreal, Que.

*Frank B. Common, Jr., Q.C.
Montreal, Que.

F. Campbell Cope, Q.C.
Montreal, Que.

Jerome W. Geckle
Baltimore, Md.

George A. Goad
Montreal, Que.

*William H. Hill
Baltimore, Md.

*John S. Lalley
Baltimore, Md.

J. Angus Ogilvy, Q.C.
Montreal, Que.

*Lloyd P. Rogers
Montreal, Que.

Richard R. Smith
Montreal, Que.

Lloyd B. Taft
New York, N.Y.

*Members of the Executive Committee

Officers

Frank B. Common, Jr., Q.C.
Chairman of the Board

Lloyd P. Rogers
President

Richard R. Smith
Executive Vice-President & Treasurer

William H. Hill
Vice-President — Finance

R. Keith Price
Vice-President — Sales

Robert L. Arlein
Assistant Vice-President

Hudson P. Goodbody
Assistant Vice-President

Paul St-Julien, C.A.
Comptroller

Robert L. Munro
Secretary

Miss Eileen M. Crosby
Assistant-Secretary

Miss G. Ruth Hanson
Assistant-Treasurer

Head Office
4999 St. Catherine Street West
Montreal, Que. H3Z 1T3

Registrar, Transfer Agent and Dividend Disbursing Agent
Montreal Trust Company
Montreal, Que.

Auditors
Clarkson, Gordon & Co.

Directors' Report to Shareholders

In terms of progress in the development of your Company and in enhancing its future prospects, we consider 1973 to have been a year of significant progress with a number of new records having been established.

The number and original cost of the leased vehicles are key factors in determining the rentals and management fees derived by the Company. By the year-end, the original cost of leased vehicles was at a new all-time high of $44,497,000 for a gain of 16.2% on the previous year.

The gross rentals due to the Company are made up of the provision for depreciation of the vehicles plus the fleet management fee and a charge for interest on investment. The fleet leasing market in Canada is highly competitive and the interest factor included in leasing rates tends to relate fairly closely to short-term or bank financing rates. From a peak of 8½% in mid-1969, the prime rate of Canadian banks declined to 6% by the end of 1972. Leasing rates followed this trend in bank prime rates—as a consequence, the interest component included in the Company's gross rentals was proportionately lower than in fiscal 1972. The approximate breakdown of the gross rentals for the two years is as follows:

	1973	1972	% Change
Gross rentals	**$13,111,000**	$11,254,000	+16.5
Depreciation on leased vehicles	**9,793,000**	8,145,000	+20.2
	$ 3,318,000	$ 3,109,000	+ 6.7
Net rental income was made up of:			
Interest on investment	**$ 2,349,000**	$ 2,263,000	+ 3.8
Fleet management fees	**969,000**	846,000	+14.5
	$ 3,318,000	$ 3,109,000	+ 6.7

Lloyd P. Rogers

Frank B. Common, Jr., Q.C.

In addition to the management fees earned on leased vehicles, the fees from management of client-owned fleets, the expense control service and administration of the tire and maintenance programs totalled $246,000 as compared to $227,000 a year ago.

Interest expense totalled $1,702,000 representing an increase of 9.8% on the previous year's total interest cost. The Company's borrowing arrangements include long-term debt, bank facilities and special loan arrangements under which the interest rate is tied to the service life of the vehicles being financed. Interest rates on the long-term portion of the total borrowed funds increased in line with the general trend of longer term rates and in the last quarter of the year, the cost of bank borrowing also increased.

All other operating expenses were marginally below the previous year's level and on the Canadian operations, the income before taxes at $840,000 was 11.3% higher than for 1972. After providing for income taxes, the net income from the Canadian operations amounted to $430,000 as against $395,000 last year.

A year ago, reference was made to the Company's participation in establishing a fleet management and leasing operation in Britain. The organizational arrangements were completed in late 1972 and at the Company's year end, the overseas companies were fully operative. The initial volume of business handled in Britain is modest but the results to date confirm the original assessment that the opportunities for introducing the PHH fleet management programs in Europe are excellent. As anticipated, the start-up phase of the British operations resulted in a deficit and your Company's share of this deficit in the amount of $31,000 has been reflected in the accounts.

Net income after allowing for the deficit on the overseas associates was $399,000 as compared to last year's net of $395,000. On the total of 668,824 shares outstanding throughout the year, earnings per share were 60c – a year ago, based on an average of 658,948 shares outstanding, earnings were also 60c per share. During the year, quarterly dividends were paid at the rate of 4¾c per share which, together with a year end extra of 1c per share, made a total distribution of 20c as against 19c in the previous year. The total dividend disbursement of $134,000 represented 33.6% of the net income for the year.

At the year end, borrowed funds totalled $23,857,000, equal to 84.2% of the book value of leased vehicles – a year ago, borrowed funds amounted to $21,230,000 or 85.5% of the net investment in leased vehicles. There were no new financing arrangements made during the year – for the immediate future, existing arrangements are considered adequate to meet the leasing requirements of present and prospective clients. With growing interest in leasing as a means of providing financing for such short-term assets as cars and trucks, your directors plan to keep the Company's financing requirements under continuing review.

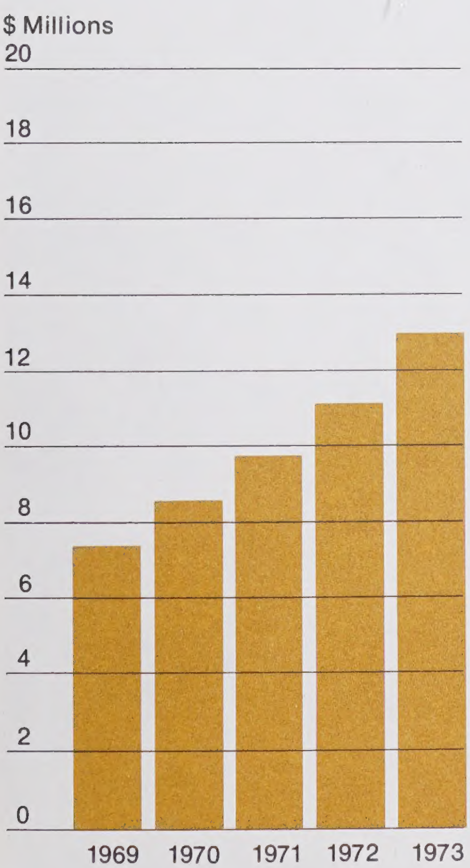
The results to date are due to the efforts of the entire staff and we are confident that a continuing dedication to the highest standards of service by all members of the staff will enable the Company to grow and prosper.

Chairman of the Board

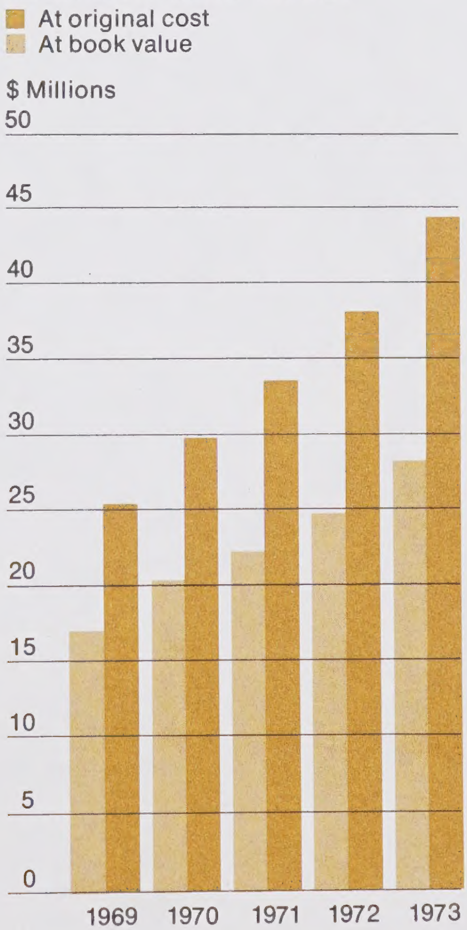
President

October 25, 1973

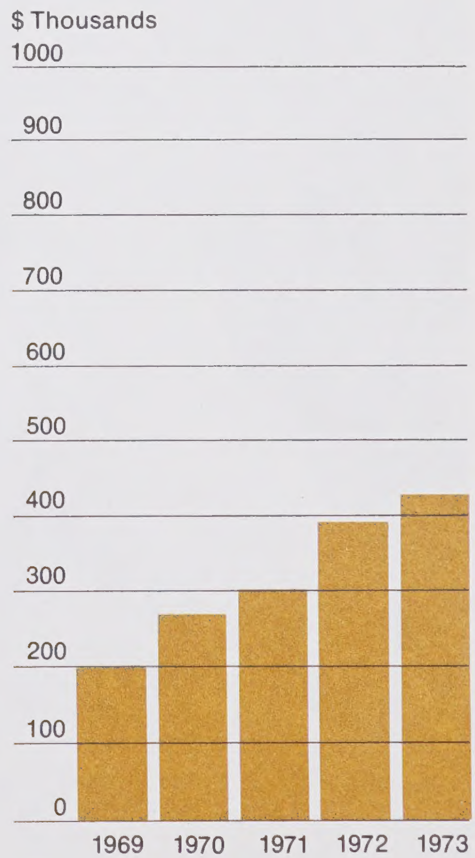
Vehicle Rentals



Investment in leased vehicles



Net Income from Canadian Operations



Our Fleet Management and Leasing Services

At Peterson, Howell & Heather, we believe sound management to be the key to the development of a car plan that makes positive contributions to employee productivity and morale and satisfies all other requirements for efficient, economical and smooth-running fleet operations.

Our services include counselling on all aspects of fleet management: selection of vehicles and equipment, purchase and sale of cars, replacement timing, financing, taxes, licensing, insurance, maintenance and administrative procedures. PHH clients benefit directly from our extensive research facilities—the most comprehensive of their kind in North America, with fleet performance records spanning more than two decades.

Management

The calibre of our personnel and the depth of the PHH organization are vital ingredients to the on-going development and effective administration of our various service programs.

Advisory & Information

Keeping clients informed is a major aspect of our services. In addition to day-to-day contacts by phone or in person, we supply a variety of manuals and publications. PHH booklets help clients instruct travelling employees on vital questions of auto safety, care and maintenance. Newsletters are issued regularly supplying current information on new and used car prices, replacement planning, research developments, tax and registration data and other timely topics important to clients interested in operating their fleets at peak efficiency.

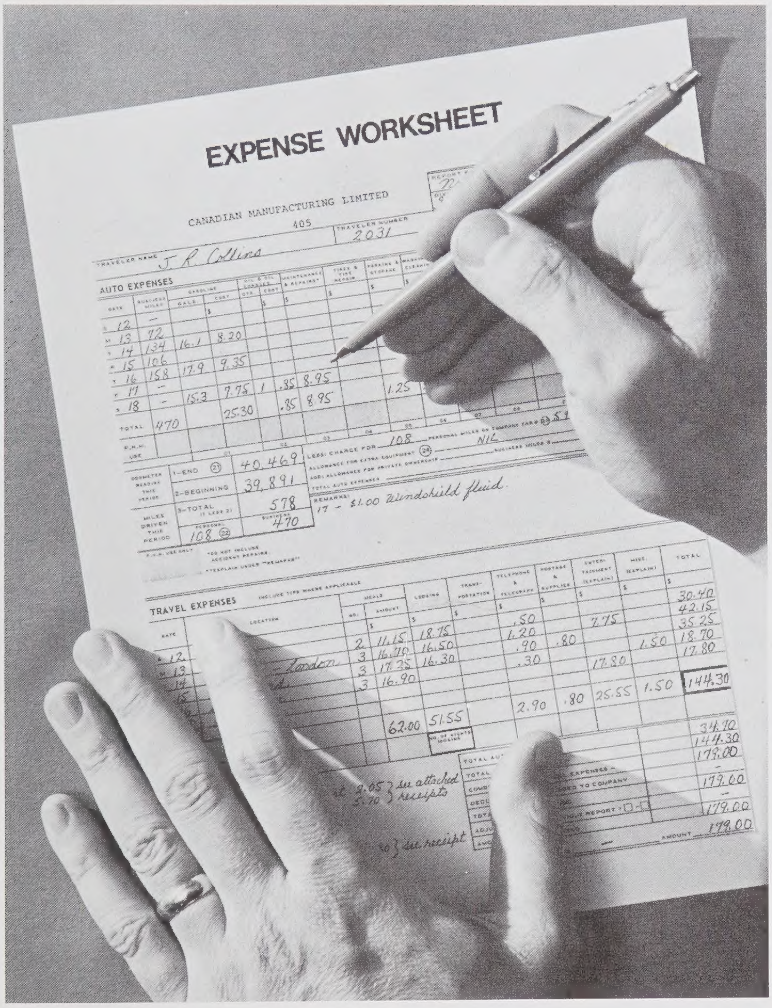
Operating

PHH purchases its clients' requirements at predetermined prices through a national network of carefully selected auto dealers. This system also provides for the disposal of used cars at predetermined prices subject to adjustment according to the condition of the cars. This convenient buying and selling system avoids the need to involve the client's own personnel in spending time on obtaining quotations for replacement cars.

An important part of our service deals with the correct timing for vehicle replacement. Although the original selection of the most suitable car and equipment for the job remains the major determinant of the final depreciation expense, skilful replacement scheduling which takes into account model age, mileage, repair cost and the trading season also has a material effect on the overall cost to the client.

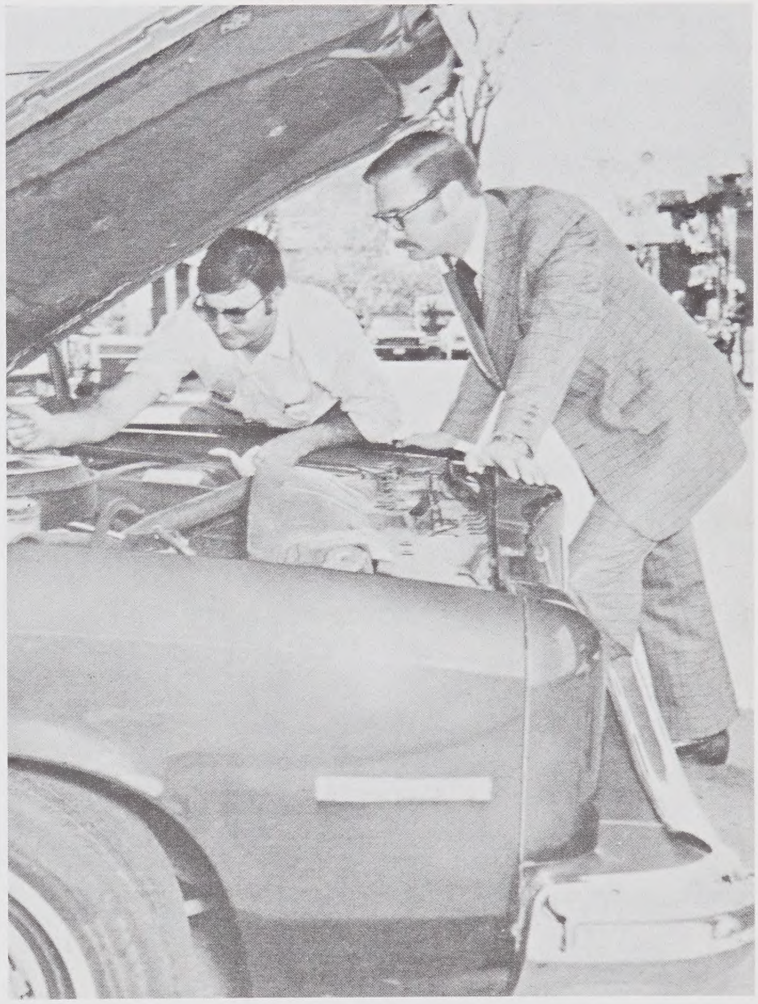
Expense Management

PHH expense management services relieve accounting and management personnel from detail work that can consume many hours of an executive's valuable time in the course of a week. Utilizing the industry's most up-to-date computer facilities for cost analysis, PHH develops and carries out complete systems for analysing and controlling all expenses related to company cars.



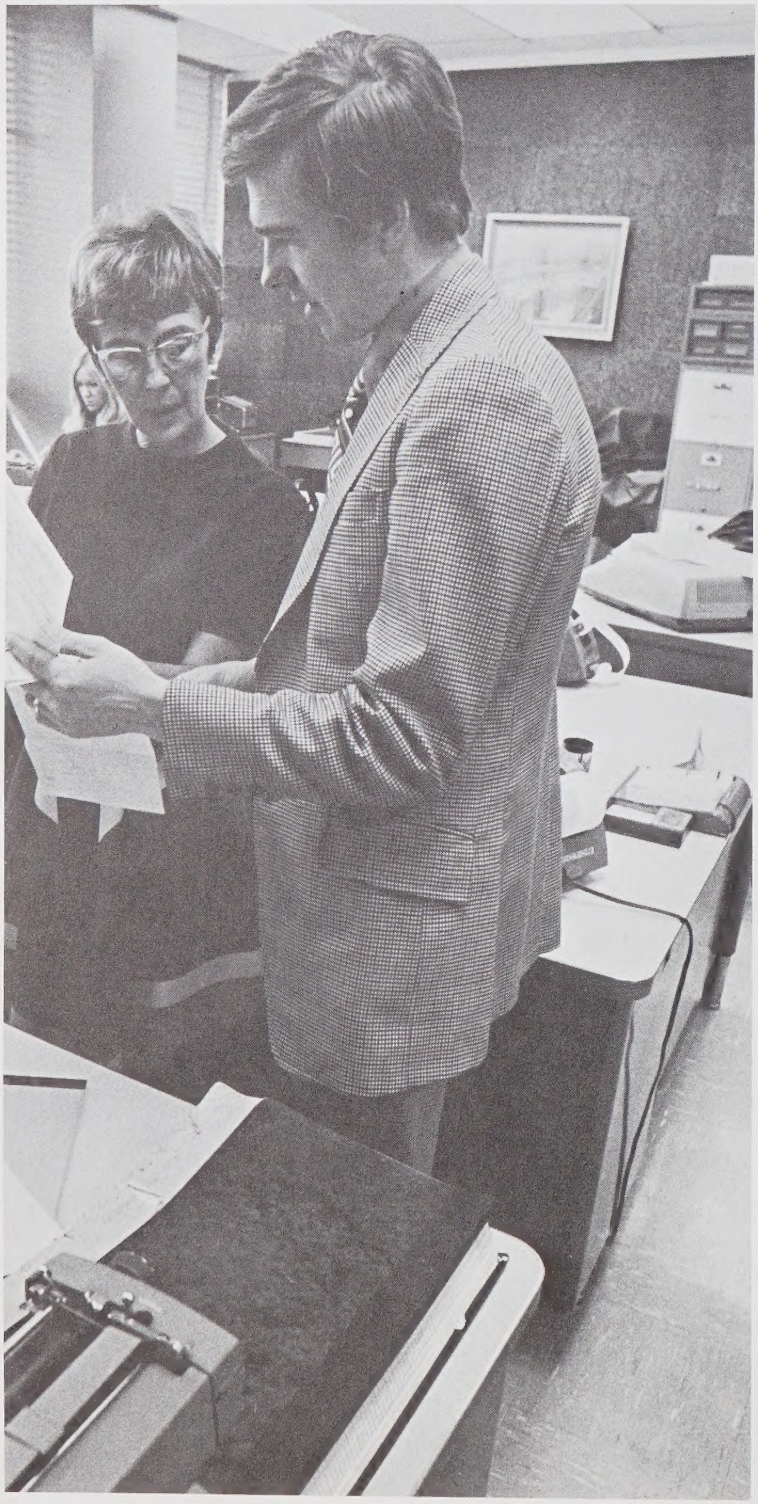
Automotive Services

Availability of reliable maintenance service facilities is a key factor in avoiding costly downtime for company fleets. The PHH Maintenance Service Program available through Imperial Esso Centres in major cities across Canada provides service on a guaranteed basis at fixed, discounted rates. PHH clients also benefit from special discounts on purchases of tires and batteries through Goodyear GO Centres.



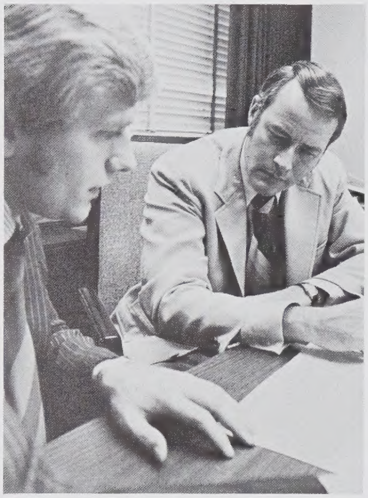
Administration

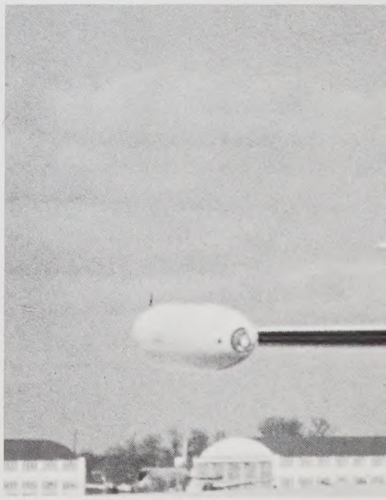
A team of PHH specialists concentrates on total transportation management, relieving clients of this complicated function. The duties of the sales, finance, purchasing, accounting, personnel, legal, insurance and traffic departments of a company regarding transportation of field personnel are integrated into a single operation run by experts in the field.



Analysis and Research

As a Car Plan Manager serving many companies in a variety of industries, PHH is constantly exposed to new ideas. All such ideas are thoroughly evaluated, and those with merit are communicated to all clients.





Leasing

PHH offers a comprehensive national leasing program for automobiles, trucks and all types of mobile equipment. The type of lease (pioneered and developed by PHH in the early 1950's) is now commonly referred to as the "finance lease". Under the PHH finance lease, the lessee pays only (1) the actual depreciation of each vehicle, and (2) an interest and management fee.

All costs related to the operation of each vehicle (such as gasoline, oil, tires, repairs, insurance, etc.) are paid for by the lessee just as if he owned the vehicle; thus, he pays no more than is actually required to keep each vehicle in service.

Consolidated Balance Sheet

August 31, 1973

Assets		**1973**		1972
Leased Vehicles (note 2)				
Original cost	**$44,497,000**		$38,280,000	
Accumulated depreciation	**16,174,000**	**$28,323,000**	13,447,000	$24,833,000
Other Fixed and Miscellaneous Assets				
Investment in shares of associated companies (note 3)	**11,000**		—	
Furniture, leasehold improvements and automobiles at cost less accumulated depreciation	**66,000**		54,000	
Prepaid expenses	**13,000**	**90,000**	4,000	58,000
Cash and Receivables				
Accounts receivable	**442,000**		256,000	
Cash on deposit with Trustee (note 4)	**39,000**		34,000	
Cash	**92,000**	**573,000**	174,000	464,000
		$28,986,000		$25,355,000

See accompanying notes

Approved on behalf of the Board:
Frank B. Common, Jr., Director
Lloyd P. Rogers, Director

Liabilities and Shareholders' Equity		1973		1972
Borrowed Funds				
Payable on demand or within one year				
Bank demand loan (note 4)	**$ 3,400,000**		$ 2,100,000	
Bank demand loan of a subsidiary (note 5)	**265,000**		—	
Debentures payable within one year	**1,858,000**		752,000	
	5,523,000		2,852,000	
Long-term				
Debentures less amount payable within one year (note 4)	**13,001,000**		14,107,000	
Loans of subsidiaries (note 5)	**5,333,000**	**$23,857,000**	4,271,000	$21,230,000
Accounts Payable and Accrued Charges (note 6)		**1,033,000**		664,000
Deferred Income Taxes		**2,128,000**		1,758,000
Shareholders' Equity				
Capital stock (note 7)	**925,000**		925,000	
Retained earnings	**1,043,000**	**1,968,000**	778,000	1,703,000
		$28,986,000		$25,355,000

Auditors' Report

To the Shareholders of
Peterson, Howell & Heather
(Canada) Limited:

We have examined the consolidated balance sheet of Peterson, Howell & Heather (Canada) Limited and its subsidiaries as at August 31, 1973 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Chartered Accountants

Montreal, Canada.
October 18, 1973.

Consolidated Statement of Income

For the year ended August 31, 1973

	1973	1972
Income from vehicle rentals	$13,111,000	$11,254,000
Less depreciation on leased vehicles	9,793,000	8,145,000
Net rental income	3,318,000	3,109,000
Fees from management services	246,000	227,000
	3,564,000	3,336,000
Debenture interest	1,157,000	1,126,000
Interest on loans of subsidiaries	381,000	350,000
Net short-term interest	164,000	72,000
Operating expenses	1,000,000	1,015,000
Depreciation on miscellaneous fixed assets	22,000	18,000
	2,724,000	2,581,000
Income before income taxes	840,000	755,000
Income taxes	410,000	360,000
Net income from Canadian operations	430,000	395,000
Company portion of estimated loss of associated companies	31,000	—
Net income for the year	$ 399,000	$ 395,000
Earnings per share	60c	60c

Consolidated Statement of Retained Earnings

For the year ended August 31, 1973

	1973	1972
Balance—beginning of year	$ 778,000	$ 509,000
Add net income for the year	399,000	395,000
	1,177,000	904,000
Less dividends paid:		
Class A shares	114,000	107,000
Class B shares	20,000	19,000
	134,000	126,000
Balance—end of year	$ 1,043,000	$ 778,000

See accompanying notes

Consolidated Statement of Source and Application of Funds

For the year ended August 31, 1973

	1973	1972
Funds Provided		
Operations		
Net income for the year	$ 399,000	$ 395,000
Deferred income taxes	370,000	360,000
Depreciation on miscellaneous fixed assets	22,000	18,000
Amount written off against investment in associated companies	31,000	—
Net change in receivables less payables	183,000	154,000
Depreciation on leased vehicles	9,793,000	8,145,000
Sale proceeds on leased vehicles	5,457,000	5,424,000
	16,255,000	14,496,000
Borrowed funds		
Net increase in loans of subsidiaries	1,062,000	354,000
Increase in bank demand loans	1,565,000	1,100,000
	2,627,000	1,454,000
Share capital		
Sale of Class A shares	—	102,000
	18,882,000	16,052,000
Decrease in cash	77,000	134,000
	$18,959,000	$16,186,000
Funds Applied		
Purchase of leased vehicles	$18,740,000	$16,079,000
Net additions (disposals) of miscellaneous assets	43,000	(19,000)
Investment in associated companies	42,000	—
Dividends paid	134,000	126,000
	$18,959,000	$16,186,000

See accompanying notes

Notes

To Consolidated Financial Statements
August 31, 1973

1 Principles of consolidation

The consolidated financial statements reflect a consolidation of Peterson, Howell & Heather (Canada) Limited, PHH Canada (Commercial) Limited, PHH Canada Fleets Limited, Canadian Lease Management Limited and two inactive subsidiary companies.

2 Valuation of leased vehicles

Straight line depreciation rates on leased vehicles are related to the terms of the leases. All vehicles placed in service since September, 1970 are being depreciated over their estimated service lives which, in the case of passenger cars, is from 40 to 50 months and, in the case of trucks, tractors and trailers, 40 to 80 months. Each lease provides that any profit or loss on disposal of leased vehicles shall be refunded to or paid by the lessee as a rental adjustment.

3 Investment in associated companies

The Company has invested in the shares of PHH Management Services Limited and PHH Leasing Limited, both of which are British companies offering fleet management and leasing services in that country. The shares of PHH Leasing Limited are partly paid-up and at the discretion of the directors of that company, further calls may be made involving a maximum additional investment of £90,000 ($220,000). The investment is carried in the accounts at cost less the Company's share of the estimated loss of the United Kingdom companies to August 31, 1973. The original investment has been converted on the basis of cost of the funds remitted and the estimated loss has been converted at the average rate of exchange during the accounting period. Subsequent to the year end, the Company agreed in principle to invest a further £12,000 ($29,000) in shares of PHH Management Services Limited.

4 Debentures outstanding

	1973	1972
6.25% Series I	$ —	$ 1,555,000
7.50% Series J	—	2,800,000
8.00% Series K ($700,000 U.S.)	**754,000**	754,000
7.97% Series L	—	9,750,000
7.86% Series M	**14,105,000**	—
	14,859,000	14,859,000
Amount payable within one year	**1,858,000**	752,000
	$13,001,000	$14,107,000

In addition to the Debentures outstanding as above, the Company has issued $3,000,000 of 8.00% Series RBC Debentures which are payable on demand and are held under a pledge agreement by The Royal Bank of Canada. Under the provisions of the Trust Deed, the Series RBC Debentures are considered outstanding only to the amount required to be paid to release them from pledge which, at August 31, 1973, was $3,000,000 being the amount of the outstanding secured demand loan from the Company's bankers. In addition, the Company had outstanding an unsecured demand loan in the amount of $400,000.

The Debentureholder waived the sinking fund payment due May, 1973 on the Series K Debentures and the future sinking fund payments were adjusted to reflect this deferral.

The Debentures are secured by an assignment of the rentals on leased vehicles. As rentals are received, they are deposited with the Trustee for the Debentureholders and are withdrawn in accordance with the terms of the Trust Deed.

Debentures of Series K and M mature as follows:

	Annual Principal Payment	Period	Residual Principal Maturity
Series K	$ 100,000 (U.S.)	1974 to 1979	May 31, 1980
Series M	$ 1,750,000	1974 to 1980	January 1, 1981

5 Loans of subsidiary companies

Two wholly-owned leasing subsidiaries finance their purchases of leased vehicles by borrowings under five separate loan agreements. The borrowings are secured by assignments of the rentals payable on the leased vehicles and liens on the vehicles themselves. The loan agreements contemplate that additional advances will be made from time to time as additional leased vehicles are purchased or existing vehicles are replaced. The funds have been advanced at various rates of interest from 7.00% to 10.50%.

Because the repayments required on these loans are related to amounts to be received in respect of the leased vehicles financed by these loans, no portion of the loans is shown as due within one year on the accompanying consolidated balance sheet. Since the length of time individual leased vehicles will be in service is not known, an accurate calculation of the principal repayments which will be made in each of the next five years is not feasible.

6 Accounts payable and accrued charges

Accounts payable and accrued charges include for 1973 the amount of $40,000 for current income taxes payable.

7 Capital stock

The authorized capital of the Company consists of 1,000,000 Class A shares without nominal or par value and 100,000 Class B shares without nominal or par value.

The Class B shares are convertible into Class A shares on a share for share basis. Conversion may take place at any time up to and including June 30, 1980 and under certain circumstances, conversion must take place earlier, but in any event all Class B shares will be converted by June 30, 1980. Class A shares are entitled to one vote per share and Class B shares are entitled to 100 votes per share.

The issued and fully paid capital as at August 31 was:	**1973**	1972
568,824 Class A shares	**$825,000**	$825,000
100,000 Class B shares	**100,000**	100,000
	$925,000	$925,000

8 Remuneration of directors and officers

The total remuneration paid to the twelve directors for their services as directors during the year was $39,000. The total remuneration paid to the officers as a group (eight persons of whom five were directors) for their services as officers during the year was $114,000.

5 Year Review

Years ending August 31

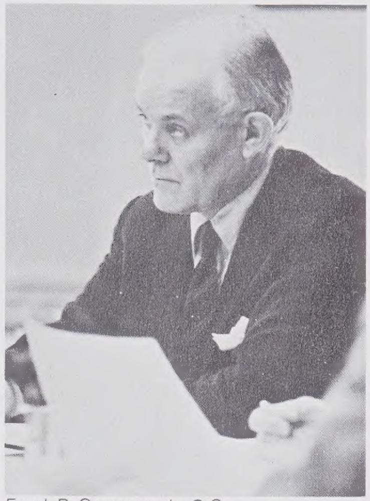
	1973	1972	1971	1970	1969
Investment in Leased Vehicles					
Original cost	**$44,497,000**	$38,280,000	$33,806,000	$29,913,000	$25,590,000
Book value	**28,323,000**	24,833,000	22,323,000	20,484,000	17,153,000
Book value as a percentage of original cost	**63.7%**	64.9%	66.0%	68.5%	67.0%
Borrowed Funds					
Secured	**23,457,000**	21,230,000	19,776,000	18,132,000	15,476,000
Unsecured	**400,000**	—	—	500,000	200,000
Total	**23,857,000**	21,230,000	19,776,000	18,632,000	15,676,000
Borrowed funds as a percentage of book value of leased vehicles	**84.2%**	85.5%	88.6%	91.0%	91.4%
Shareholders' Equity	**1,968,000**	1,703,000	1,332,000	1,089,000	852,000
Equity per share (adjusted for stock dividends)	**2.94**	2.55	2.09	1.75	1.43
Operating Results					
Income from vehicle rentals	**13,111,000**	11,254,000	9,889,000	8,666,000	7,462,000
Depreciation on leased vehicles	**9,793,000**	8,145,000	7,002,000	6,141,000	5,397,000
Net rental income	**3,318,000**	3,109,000	2,887,000	2,525,000	2,065,000
Fees from management services	**246,000**	227,000	139,000	117,000	102,000
Interest expense	**1,702,000**	1,548,000	1,400,000	1,164,000	1,013,000
All other expenses	**1,022,000**	1,033,000	986,000	905,000	737,000
Loss of associated companies	**31,000**	—	—	—	—
Net income	**399,000**	395,000	305,000	271,000	201,000
Earnings per share	**60c**	60c	49c	44c	34c
Cash dividends per share	**20c**	19c	18c	16c	14c

Board of Directors


Lloyd P. Rogers


George A. Goad


John N. Cole


Frank B. Common, Jr., Q.C.


F. Campbell Cope, Q.C.


Richard R. Smith


Jerome W. Geckle J. Angus Ogilvy, Q.C.


John S. Lalley


William H. Hill


Lloyd B. Taft William J. Bennett

PHH CANADA

Peterson, Howell & Heather
(Canada) Limited
4999 St. Catherine Street West
Montreal, Quebec H3Z 1T3

Associated Companies:

Peterson, Howell & Heather,
Inc.
2701 North Charles Street
Baltimore, Maryland 21218
U.S.A.

PHH Management Services Limited
PHH Leasing Limited
548 Chiswick High Road
London W4 5RG, England

Printed in Canada

Consolidated Statement of Source and Application of Funds

For the six months ended February 28, 1973

	1973	1972
Funds Provided		
Operations		
Net income for the period	$ 201,000	$ 199,000
Deferred income taxes	195,000	182,000
Depreciation on miscellaneous fixed assets	11,000	9,000
Depreciation on leased vehicles	4,586,000	3,899,000
Sale proceeds on leased vehicles	2,225,000	2,518,000
	7,218,000	6,807,000
Borrowed Funds		
Net increase (decrease) in loans of subsidiaries	487,000	(23,000)
Decrease in bank demand loan	(140,000)	(100,000)
	347,000	(123,000)
Share Capital		
Sale of Class A shares	–	75,000
	7,565,000	6,759,000
Funds Applied		
Purchase of leased vehicles	6,935,000	6,637,000
Net increase (decrease) in miscellaneous fixed assets	30,000	(19,000)
Net change in receivables less payables	435,000	377,000
Investment in affiliated companies	29,000	–
Cash dividends	64,000	60,000
	7,493,000	7,055,000
Increase (decrease) in cash	72,000	(296,000)
	$7,565,000	$6,759,000

Peterson, Howell & Heather (Canada) Limited

Interim Report to Shareholders

For the Six Months to February 28, 1973

Cancorp

To Our Shareholders

During the first six months, there were encouraging signs of expansion in the fleets of existing clients. In addition, a number of new clients subscribed to the Company's fleet management programs and these fleets will be phased in on a gradual basis during the next few months. Consumer demand for automobiles has been at record level and this has caused delay in deliveries of new vehicles to fleet users.

Net rental income on our leased fleet increased by 4.4% to $1,608,000. This increase was achieved despite the continuing effect of a reduction in rental rates that became effective in March, 1972. Fees from management services increased by 10.2% reflecting our clients' increased usage of the tire and maintenance programs.

The interest rate on the Company's longer term borrowings increased in line with the trend of long-term rates and our total interest expense showed an increase of 7.7%; however, other operating expenses were reduced by $8,000. The income before taxes at $410,000 was $29,000 ahead of the previous year, an increase of 7.6%. After full provision for income taxes on the Company's Canadian earnings and after deducting $14,000, being our share of the estimated loss to date of the U.K. operation, net income for the period was $201,000 against $199,000 last year. Earnings per share decreased from 30.5¢ last year to 30.0¢.

During October, 1972, your Company, in partnership with Peterson, Howell & Heather, Inc. and the Orion banking group, set up a British company to market fleet management and leasing services in the United Kingdom. The British company is now in operation and although it is anticipated that initially progress will be slow, it is expected that this expansion of our service capability will be in the best interests of our clients and the Company.

Today, your Directors declared a quarterly dividend of 4¾¢ on each of the Class A and Class B shares of the Company to be payable May 25, 1973 to shareholders of record at the close of business on May 15, 1973. Similar dividends were paid in respect of the first two quarters of the current fiscal period. A year ago, quarterly dividends were paid at the rate of 4½¢ per share.

F. B. Common, Jr., Q.C.
Chairman of the Board

L. P. Rogers
President

April 26, 1973

Consolidated Statement of Income

For the six months ended February 28, 1973

	1973	1972
Income from vehicle rentals	$6,193,000	$5,439,000
Less depreciation on leased vehicles	4,585,000	3,899,000
Net rental income	1,608,000	1,540,000
Fees from management services	119,000	108,000
	1,727,000	1,648,000
Interest expense	807,000	749,000
Operating expenses	510,000	518,000
	1,317,000	1,267,000
Income before income taxes	410,000	381,000
Provision for income taxes	195,000	182,000*
Net income—Canadian operations	215,000	199,000
Loss of overseas affiliate attributable to Company's equity interest	14,000	–
Net income for the period	$ 201,000	$ 199,000
Earnings per share	30.0¢	30.5¢

*Last year's provision for income taxes has been restated to reflect the rate of tax applicable to the year as a whole. Consequently, net income for the first half of last year was increased by $18,000 or 2.7¢ per share.